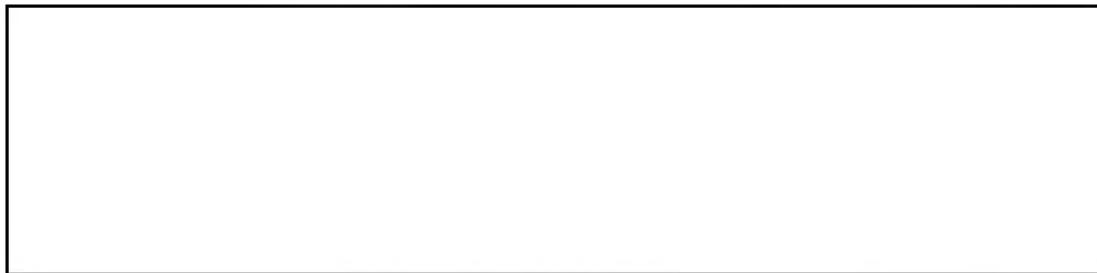


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Belgian Government Survives

Belgium Prime Minister Tindemans' government won a vote of confidence in the lower house of parliament today on its decision to purchase the US-made F-16 fighter plane. The vote was 112 to 92, with the two major coalition parties unanimously supporting the government's decision. A majority of the representatives of the Walloon Rally Party, the third coalition partner which had opposed the decision earlier, also backed the government. The question will be considered tomorrow by the upper house where it is assured of majority approval.

A negative vote would not have affected the memorandum of understanding with the US for purchase of the plane signed earlier this week, but would have posed a serious threat to the Tindemans government. The possibility of early elections is believed to have elicited substantial compromises from Tindemans both within the coalition and among some opposition parties.

The main rival of the US plane was France's Mirage F-1-E. The campaign waged by Paris for its plane succeeded in dividing the bilingual Belgians down the middle, with the Francophones favoring the Mirage and the Flemings supporting the F-16. The issue became so intense that disgruntled Mirage supporters threatened to bomb the Brussels airport following the government's decision.

The Danish government easily won pro forma parliamentary approval on Wednesday of its selection of the F-16. Opposition

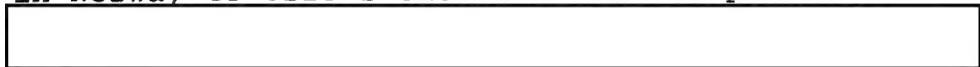
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in The Netherlands subsided following the  
Belgian decision and there was little challenge  
in Norway to Oslo's choice of the US plane.

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Norway Plans Fishing Zone Extension

Norway is foregoing plans to declare unilaterally a 50-mile fishing limit in favor of pressing for an international agreement on a 200-mile economic zone.

Oslo introduced the 50-mile concept last year to placate Norway's fishermen, but the government now feels that it would generate foreign opposition by proceeding on its own and prefers working through the Law of the Sea Conference to establish a 200-mile economic zone. Pressures from local fishermen might force Norway to act independently again, however, if the 200-mile zone is not adopted at the Conference. Norway's switch in tactics was strongly influenced by its spokesman on fishing--Jens Evenson--who also headed the informal committee on the 200-mile economic zone at the recent session of the Law of the Sea Conference.

A leading fishing nation, Norway's fishing industry has been hard pressed to maintain production because of increased fishing off Norway by the Soviet Union, West Germany and the UK. Norway's lucrative cod catch has been particularly hard hit, declining 25 percent since 1972. Thus far, bilateral negotiations with several countries that fish off Norway have not reduced overfishing.

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Waldheim to Report No Progress in Cyprus Talks

In his report to the UN Security Council today, Secretary General Waldheim will confirm that very little progress was made toward a negotiated Cyprus settlement in the inter-communal talks held under his auspices in Vienna. He will, nevertheless, call for their continuation.

According to a UN official, Waldheim is concerned about the slow pace of the talks and has begun to feel uncomfortable in his role which he views as a "fig leaf for non-negotiations." The Secretary General was upset over the rigidity of the two sides during the last round of talks. Waldheim warned the Greek and Turkish Cypriot negotiators that he is not satisfied with his role, suggesting he may not participate at the next round--set to begin on July 24--unless the two sides are prepared to negotiate seriously.

The Vienna talks last week were often stormy and Turkish Cypriot negotiator Denktash refused to discuss the territorial and refugee questions as promised in the first Vienna round, citing as a justification the lack of prior agreement on the powers of the central government in the proposed Cypriot federation. Denktash did, however, offer some views on the structure of the central government. These envisage a weak central government with a titular, rotating presidency and a bicameral legislature. The two ethnic communities would have equal representation in the upper house and proportional representation in the lower chamber.

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Clerides refused to respond to Denktash's proposals on the central government because of Denktash's unwillingness to take a position on other major issues.

The only mildly hopeful development was Denktash's proposal for what he termed a joint transitional central government pending a final settlement. Subsequent elaboration revealed that Denktash had in mind more of a "coordinating committee" to handle certain questions of mutual concern and not a full fledged central government. Denktash noted that such an interim body could serve to build confidence between the two communities and facilitate agreement on other issues.

Clerides questioned whether the proposal might not be aimed at giving the Turkish Cypriots a means to erode the international status of the exclusively Greek Cypriot Government of Cyprus and to curb the Greek Cypriots' use of international forums to advance their cause. He nevertheless promised to consider the idea.

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Maltese Parties Agree to Control Political Violence

Leaders of the ruling Labor Party and the opposition Nationalist Party have agreed to take "certain internal steps" to prevent violence at public political gatherings, according to an announcement by Prime Minister Mintoff.

There has been a growing wave of such violence by rowdy supporters of both parties over the past six months. It has become routine for the parties' public meetings to be disrupted and for homes, cars and party offices in the vicinity to be vandalized. Nationalist leaders have charged that the police move more quickly to restrain Nationalist trouble-makers at Labor meetings than they do to stop Labor rowdies at Nationalist gatherings.

The most serious incident occurred on June 8 when a Nationalist rally in a strong Labor district was violently disrupted and several persons injured. The Nationalists, who had been receiving more violence than they were giving, were pressing for a parliamentary showdown on the issue. After the incident on June 8, however, they requested an urgent meeting with Labor government officials that resulted in Mintoff's announcement.

The situation seems to have calmed for the moment, but the test of the parties' internal controls will not be long in coming. More public meetings are scheduled for this weekend as part of a steady increase in political activity leading toward the next election.

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Security Tightened in Azores

Portuguese military authorities in the Azores are tightening security measures to prevent a recurrence of demonstrations like the one held on June 6 in Ponta Delgada. Meanwhile, pro-Azorean officers are becoming increasingly anxious over their positions because of pressure from Lisbon.

Although there have been no demonstrations held this week, there have been reports that several were planned, both on the main island of Sao Miguel and on Terceira--where the US has facilities at Lajes airbase. One demonstration reportedly planned for Sao Miguel on June 10 to protest the arrest of suspected separatist leaders the day before may have been called off as a result of increased security measures that include posting guards at the airport and radio station.

Meanwhile, arrests of suspected separatist leaders are continuing. Four arrests were reported on the island of Terceira on June 10. The Terceira military command announced these suspects would be interrogated by a military committee of inquiry, along with 29 others arrested in Sao Miguel on Monday. It is also rumored, but not officially confirmed, that further arrests were carried out on Sao Miguel on June 9 and 10.

The wave of arrests has badly shaken residents of Ponta Delgada. Among the most concerned are three senior military officers presently holding key positions in the local administration. The

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military governor, General Pinto Magalhaes, 18th Infantry Battalion Commander Lieutenant Colonel Miranda, and police chief Major Moniz have all been harshly criticized by the Communist-dominated Lisbon press.

Colonel Miranda has told the US consul that the commander of Portuguese naval forces in the Azores, Admiral Riccou, ordered the roundup of separatists after obtaining direct authorization from Admiral Rosa Coutinho in Lisbon. Riccou reportedly threatened to arrest Magalhaes and Miranda if his orders were not carried out.

A possible clue to Lisbon's policy toward the Azores will be the treatment accorded these pro-Azorean officers, who have gained the respect and trust of the local residents. The officers are faced with the dilemma of whether to implement policies which they find distasteful or cast their lot with the separatists.

At present, the separatist movement would seem to represent more of an irritant than a threat to Lisbon and there is little support among the Azoreans for an armed insurrection. Separatists not arrested are likely to reduce their activities and Lisbon will probably try to ease out pro-Azorean officers one by one.

This picture could change, however, if local commanders come to believe their positions are already fatally compromised and suddenly throw their support behind the separatist movement. The willingness of the officers to take this action could be increased by Lisbon's apparent difficulties in responding to the events of June 6. US military attaches in Lisbon report that two companies of military police refused to obey orders transferring them to the Azores and that only a small detachment was eventually sent.

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Wilson Returns to Old Problems After  
Referendum

With the EC referendum victory behind him, Prime Minister Wilson is now turning his attention to such urgent problems as the deteriorating monetary and trade situations, the massive wage increases demanded by labor, and the factionalism in the Labor Party which was aggravated by the referendum campaign.

The pound sterling has fallen to record lows--losing 2 percent of its value in the past three days--monthly figures are expected to show continued inflation and deterioration in the trade balance, and a nation-wide railway strike has been set for June 23. Although there have been improvements in the balance of payments and in some other leading indicators, these trends are fragile and could be easily disrupted, particularly if sterling continues to decline.

Despite persistent calls in Parliament and the press for wage controls and drastic cuts in public spending, Wilson has publicly declared his opposition to such measures. There is speculation that, instead of paying the high political price of imposing mandatory wage controls and tighter price regulations, Wilson may rely on a cheaper pound and possible import quotas to help stabilize the economy. Some officials are still counting on tax boosts imposed last April and the steadily growing unemployment rates to halt the accelerating inflation.

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EC officials, meanwhile, are deeply concerned over Britain's economic prospects and are clearly worried that Britain might invoke trade restrictions that would undermine free trade within the community. The EC Commission is prepared to discuss with London stabilization measures that could be undertaken within the Community context.

The Commission would argue for a statutory UK incomes policy and a reduction in government expenditures. Short- and medium-term financial aid is available from the EC, but Brussels believes that for political reasons London may prefer that the economic conditions for assistance be set in the framework of a British accord with the International Monetary Fund rather than with the community. In either case, the Labor government will be reluctant to have domestic policies dictated by international organizations.

Wilson must also deal with frictions and factionalism within the Labor Party resulting from the referendum campaign. His cabinet shuffle this week has prompted criticism from several quarters, particularly the shift of anti-EC leader Anthony Benn from Industry to the post of Secretary of State for Energy. Oil industry leaders and Conservative Party members fear that his appointment signals increased government interference in the oil industry; EC members are concerned that Benn's appointment points to continued UK reluctance to enter into common energy policies.

Left-wing Laborites were extremely critical of the Benn shift and of anti-EC minister Judith Hart's cabinet dismissal. These continuing party frictions will make it very difficult for Wilson to impose wage controls or make substantial cuts in domestic spending as part of any economic stabilization program.

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